

matzikama

MATZIKAMA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 46 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Publi

Municipal Manager

28 Augustus 2008

Date

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

OTHER INFORMATION

Nature of Business	Matzikama Municipality is a local municipality performing the functions as set out in the Constitution. Act no 105 of
Country of Origin and Legal Form	South African local municipality as defined by the Municipal Structures Act (Act no 117 of 1998)
Directors	DGI O'Neill LJ Bruwer W Conradie (Acting) J Swart H Kröhn
Principal Bankers	ABSA PO Box 4453 TYGERVALLEY 7536
Auditors	Office of the Auditor General PO Box X1 CHEMPET 7442
Attorneys	Swanepoel en Swanepoel Attorneys PO Box 12 VREDENDAL 8160
Registered Office	37 Church Street VREDENDAL 8160
Relevant Legislation	Municipal Finance Management Act (Act no 56 of 2003) Division of Revenue Act The Income Tax Act Value Added Tax Act Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) Municipal Planning and Performance Management Regulations Water Services Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 1997) Supply Chain Management Regulations, 2005 Collective Agreements Infrastructure Grants SALBC Leave Regulations

MATZIKAMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

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MATZIKAMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	<u>2008</u> R	<u>2007</u> R
NET ASSETS AND LIABILITIES			
Net assets		103 989 502	98 970 141
Housing Development Fund	3	1 496 732	2 990 158
Capital replacement reserve	2	-	1 050 000
Capitalisation reserve	2	7 465 761	8 435 524
Government grant reserve	2	56 984 049	50 863 460
Accumulated Surplus/(Deficit)		38 042 960	35 630 999
Non-current liabilities		30 820 351	28 229 605
Long-term liabilities	4	19 178 285	17 335 708
Non-current provisions	5	11 642 066	10 893 897
Current liabilities		19 614 327	17 423 593
Consumer deposits	6	1 875 579	1 713 655
Provisions	7	2 771 370	2 757 419
Creditors	8	7 133 661	5 084 568
Unspent conditional grants and receipts	9	5 730 514	5 910 886
VAT Payable	10	-	
Current portion of long-term liabilities	4	2 103 203	1 957 065
Total Net Assets and Liabilities		R154 424 179	R144 623 339
ASSETS			
Non-current assets		129 005 552	120 354 765
Property, plant and equipment	11	112 546 800	104 174 375
Non-Current Assets held for sale	11a	-	68 184
Intangible Assets	12	867 492	609 241
Investment Properties	13	14 745 209	14 845 209
Long-term receivables	14	846 051	657 756
Current assets		25 418 627	24 268 574
Inventory	15	2 181 286	2 349 207
Consumer debtors	16	16 388 012	11 653 150
Other debtors	17	446 114	489 973
Unpaid Conditional Grants	9	2 994 830	376 749
VAT Receivable	18	2 211 219	211 706
Current portion of long-term receivables	14	54 867	830 750
Cash and Cash Equivalents	19	1 142 300	8 357 038
Total Assets		R154 424 179	R144 623 339

MATZIKAMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2008

	Note	<u>2008</u> R	<u>2007</u> R
REVENUE			
Property rates	20	12 610 562	12 280 207
Property rates - penalties imposed and collection charges		110 923	67 724
Service charges	21	50 541 778	43 578 302
Rental of facilities and equipment		2 099 923	1 938 343
Interest earned - external investments		1 132 251	1 464 467
Interest earned - outstanding debtors		1 404 005	1 045 887
Fines		778 373	1 236 033
Licences and permits		6 967	8 882
Income for agency services		4 268 633	1 774 785
Government grants and subsidies	22	39 858 755	28 445 852
Other income	23	1 591 175	2 203 474
Gains on disposal of property, plant and equipment		269 705	263 074
Total Revenue		<u>114 673 050</u>	<u>94 307 032</u>
EXPENDITURE			
Employee related costs	24	33 889 998	29 773 466
Less: Employees' costs capitalized	24	(955 541)	(826 923)
Remuneration of Councilors	25	2 965 626	3 190 448
Bad debts		3 254 001	3 035 787
Collection costs		167 503	492 685
Depreciation		8 981 315	7 991 856
Repairs and maintenance		7 932 558	6 598 913
Interest paid	26	1 988 028	2 069 674
Bulk purchases	27	19 104 688	16 527 858
Contracted services		500 814	1 456 529
Grants and subsidies paid	28	6 121 002	9 092 853
Operating Grants utilized		17 138 503	3 593 816
General expenses	29	8 565 194	8 314 923
Loss on disposal of property, plant and equipment		-	-
Total Expenditure		<u>109 653 690</u>	<u>91 311 886</u>
SURPLUS/(DEFICIT)		<u>5 019 360</u>	<u>2 995 146</u>
SURPLUS/(DEFICIT) FOR THE YEAR		<u>R5 019 360</u>	<u>R2 995 146</u>
Refer to Appendix E(1) for the comparison with the approved budget			

MATZIKAMA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	<u>Housing Development Fund</u>	<u>Capital Replacement Reserve</u>	<u>Capitalization Reserve</u>	<u>Government Grant Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R
2007						
Balance at 30 June 2006	8 900 853	6 000 000	9 590 142	51 295 800	5 360 243	81 147 037
2007						
Correction of Error (Note 32)					316 037	316 037
Restated balance	8 900 853	6 000 000	9 590 142	51 295 800	5 676 280	81 463 074
Net surplus/(deficit) for the year	-	-	-	-	2 995 146	2 995 146
Revaluation surplus on Investment Properties	-	-	-	-	14 511 921	14 511 921
Transfer to CRR	-	490 035	-	-	(490 035)	-
Sale of Assets - Trf to CRR	-	263 074	-	-	(263 074)	-
Property, plant and equipment purchased	-	(5 703 109)	-	-	5 703 109	-
Capital grants used to purchase PPE	-	-	-	14 301 281	(14 301 281)	-
Asset disposals	-	-	(47 888)	-	47 888	-
Transfer - Housing Development Fund	(5 910 695)	-	-	-	5 910 695	-
Offsetting of depreciation	-	-	(1 106 729)	(2 947 137)	4 053 866	-
Balance at 30 June 2007	2 990 158	1 050 000	8 435 524	62 649 944	23 844 514	98 970 141
2008						
Correction of Error (Note 32)	-	-	-	(11 786 485)	11 786 485	-
Restated balance	2 990 158	1 050 000	8 435 524	50 863 460	35 630 999	98 970 141
Net surplus/(deficit) for the year	-	-	-	-	5 019 360	5 019 360
Transfer due to insufficient available cash	-	(1 050 000)	-	-	1 050 000	-
Capital grants used to purchase PPE	-	-	-	9 828 865	(9 828 865)	-
Transfer - Housing Development Fund	(1 493 426)	-	-	-	1 493 426	-
Offsetting of depreciation	-	-	(969 763)	(3 708 275)	4 678 039	-
Balance at 30 June 2007	R1 496 732	R0	R7 465 761	R56 984 049	R38 042 960	R103 989 502

MATZIKAMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	34	6 672 908	10 176 559
Interest received		2 536 256	2 510 355
Interest paid		(1 988 028)	(2 069 674)
NET CASH FROM OPERATING ACTIVITIES		7 221 135	10 617 239
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(17 381 050)	(19 395 148)
Purchase of Intangible Assets		(474 798)	(609 241)
Decrease in Non-Current Assets held for sale		68 184	(68 184)
Decrease in Investment Properties		100 000	-
Proceeds on disposal of fixed assets		513 563	333 565
(Increase)/decrease in non-current loans		587 589	2 131 743
NET CASH FROM INVESTING ACTIVITIES		(16 586 511)	(17 607 266)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		1 988 715	(1 893 821)
Increase in consumer deposits		161 923	139 356
NET CASH FROM FINANCING ACTIVITIES		2 150 639	(1 754 466)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(R7 214 737)	(R8 744 493)
Cash and cash equivalents at the beginning of the year		8 357 038	17 101 531
Cash and cash equivalents at the end of the year		1 142 300	8 357 038
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7 214 738)	(8 744 493)

1. Summary of significant accounting policies for the year ended 30 June 2008

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements. ¹	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
GAMAP 12	Inventories	<ul style="list-style-type: none"> The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.
		<ul style="list-style-type: none"> The entire standard as far as it relates to water stock that was not purchased by the municipality.
IAS 11 (AC 109)	Construction contracts	<ul style="list-style-type: none"> Entire standard
IAS 19 (AC 116)	Employee benefits	<ul style="list-style-type: none"> Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 40 (AC 135)	Investment property	<ul style="list-style-type: none"> The entire standard to the extent that the property is accounted for in terms of GAMAP 17
		<ul style="list-style-type: none"> Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	<ul style="list-style-type: none"> Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 3 (Accounting Policies, Changes of Accounting Estimates and Errors):

- Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies. [Paragraphs 14, 19 and 30-31]*

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A

geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 115 (Segment Reporting) and AC 146 (Operating Segments).

1.5 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.6 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.7 Reserves

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.

- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The proceeds from the disposal of property, plant and equipment originally financed through the CRR must be transferred to the CRR.
- All proceeds from the sale of land will be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets.
- The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects. The Integrated Development Plan, the municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will be taken into account in order to determine the annual contribution to the CRR.

1.7.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.4 Public Contributions and Donations Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Public Contributions and Donations Reserve equal to the Public Contributions and Donations Reserve recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions and Donations Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Public Contributions and Donations.

When an item of property, plant and equipment financed from Public Contributions is disposed, the balance in the Public Contributions and Donations Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.5 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. All land and buildings recorded in the Municipality's asset register shall be revalued when the Council is of the opinion that economic conditions have had a substantial impact on the value of land and buildings within the municipal area. Under such circumstances a sworn valuer will be appointed to perform a valuation of all land and buildings.

The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

1.8 Financial Instruments

Financial instruments carried in the Statement of Financial Position include cash and cash equivalents, investments, accounts receivable, accounts payable and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Municipality has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when it is extinguished, i.e. when the contractual right is discharged, cancelled or expires.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 144 (Financial Instruments: Disclosure). For AC 133 (Financial Instruments: Recognition and Measurement) the initial measurement of financial assets and liabilities at fair value is exempted. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]

1.9 Leases

1.9.1 Lessee Accounting

Amounts held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the

minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.9.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.12 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of

resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Position.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

1.13 Employee Benefits

(a) *Pension obligations*

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post Retirement Medical obligations*

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments are charged or credited to the Statement of Financial Performance over the expected average remaining working lives of the related employees. These obligations are valued bi-annually by independent qualified actuaries.

(c) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries are charged against the Statement of Financial Performance as employee benefits upon valuation.

1.14 Trade Payables (Creditors)

Trade payables and other receivables are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method

1.15 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.16 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.*

1.17 Value Added Tax

The Council accounts for Value Added Tax on the cash basis.

1.18 Property Plant and Equipment

Land and buildings held for use in the production or supply of goods and services, or for administrative purposes, are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed every four years when the municipal valuation roll is updated. Under such circumstances a sworn valuer will be appointed to perform a valuation of all land and buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a Revaluation Reserve in the Statement of Changes in Net Assets. Decreases that offset previous increases of the same asset are charged against the Revaluation Reserve directly in the Statement of Changes in Net Assets; all other decreases are charged to the Statement of Financial Performance. Each year the difference between depreciation based on the revalued carrying amount of the asset is charged to the Statement of Financial Performance and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the Accumulated Surplus/ (Deficit).

Depreciation on revalued land and buildings is charged to the Statement of Financial Performance. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the Revaluation Reserve is transferred directly to the accumulated surplus / deficit.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

All other property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and buildings under construction over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following guiding estimated useful lives:

	<i>Years</i>		<i>Years</i>
1 Infrastructure		2 Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
		Landfill sites	15

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the Accumulated Surplus/(Deficit) directly in the Statement of Changes in Net Assets.

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment):

- *Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]*
- *Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]*
- *Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]*
- *Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]*

1.19 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost. Subsequent to initial recognition investment properties are shown at fair value, based on periodic, but at least every three years, valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.20 Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

1.21 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 128 (Impairment of Assets) in its entirety.

1.22 Financial Assets

The Municipality classifies its financial assets in the following categories: loans and receivables, investments in associates, investments in municipal entities and joint ventures. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of the Statement of Financial Position. They arise when the Municipality provides money for goods or services directly to a debtor with no intention of trading the receivable and are initially recognized at fair

value and subsequently carried at amortised cost using the effective interest method, less provision for impairment.

(b) *Investment in Associate*

An associate is an entity over which the Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the Municipality or its Municipal Entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise significant influence over the associate the equity method of accounting is discontinued.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

(c) *Investment in Municipal Entities*

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 140 (Business Combinations) in its entirety.

(c) *Interests in Joint Ventures*

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost.

Jointly Controlled Operations

The Municipality recognises the assets that it controls, the liabilities and expenses that it incurs as well as its share in the revenue that it earned from the sale or provision of goods or services by the joint venture.

Jointly Controlled Assets

The Municipality's share of the jointly controlled assets and liabilities is recognised in the statement of financial position and is classified according to their nature. Revenue from the sale or use of the Municipality's share of the output of the jointly controlled

assets, and its share of the expenses incurred is recognised in the statement of financial performance.

Jointly Controlled Entities

Interests in jointly controlled entities are stated at cost.

1.23 Non-current Assets Held for Sale

The Municipality measures non-current assets (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

1.24 Inventories

Inventories consist of consumables and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

1.25 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.26 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.27 Revenue Recognition

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity and water prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of labour hours incurred to date to estimated total labour hours for each contract.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received. A calculation of fines to be received is made at year-end based on the average collection rate of the past three years.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.*

1.28 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.29 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

	<u>2008</u>	<u>2007</u>
	R	R
2 NETT ASSET RESERVES		
RESERVES	64 449 810	59 298 984
Capital Replacement Reserve	-	-
Capitalisation Reserve	7 465 761	8 435 524
Government Grant Reserve	56 984 049	50 863 460
Total Nett Asset Reserve Assets and Liabilities	R64 449 810	R59 298 984

3 HOUSING DEVELOPMENT FUND

Housing Development Fund	1 496 732	2 990 158
Unappropriated Surplus	1 496 732	2 990 158
Loans extinguished by Government on 1 April 1998	-	-
Total Housing Development Fund Assets and Liabilities	R1 496 732	R2 990 158

4 LONG-TERM LIABILITIES

Local Registered Stock Loans	-	-
Annuity Loans	21 234 300	19 102 751
Capitalised Lease Liability	37 375	81 334
Hire purchase	9 812	108 687
Sub-total	21 281 488	19 292 772
Less : Current portion transferred to current liabilities	(2 103 203)	(1 957 065)
Annuity Loans	(2 056 016)	(1 873 111)
Hire Purchases	(37 375)	(59 667)
Capitalised Lease Liability	(9 812)	(24 287)
Total External Loans - At fair value	R19 178 285	R17 335 708

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the above-mentioned notice

- Financial Instruments: Recognition and Measurement (AC133) Initially measuring financial assets and liabilities at fair value. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]

- Financial Instruments: Disclosure (AC144) Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

- Leases (AC 105) Recognising operating lease payments / receipts on a straight line basis if the amount is recognised on the basis of the cash flows in the lease agreement. [SAICA Circular 12/06 paragraphs 8-11 and paragraphs 33, 34, 50, 51 of AC 105]

Refer to Appendix A for more detail on long-term liabilities.

The future payments are as follows:

	<u>2008</u>	<u>2008</u>
	Leases	Hire Purchase
	Within 1 Year	Within 1 Year
Interest Payments	4 080	2 636
Redemption - Fully to be redeemed in 2008/2009	9 812	37 375
	R13 892	R40 011

5 NON-CURRENT PROVISIONS

5.1 Non-current provision liabilities

	<u>2008</u>	<u>2007</u>
	R	R
Medical Aid Contributions	8 250 784	7 912 916
Long Service Award	534 053	474 163
Rehabilitation of Landfill-sites	2 857 229	2 506 818
Total	R11 642 066	R10 893 897

	<u>2008</u>	<u>2008</u>	<u>2008</u>
	Landfill-Site	Medical Aid	Long Service
Balance 1 July 2007	4 694 098	8 375 302	510 269
Contribution for the year	350 411	367 924	76 883
	5 044 509	8 743 226	587 152
Less: Transfer of current portion to current provisions (Note 5)	(2 187 280)	(492 442)	(53 099)
Balance 30 June 2008	R2 857 229	R8 250 784	R534 053

The municipality valued non-current provisions on 30 June 2007 for the first time, which valuations were done by:
ARCH Actuarial Consulting, Mill Street, Cape Town.

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2)b of the notice

• Employee benefits: Exempted compliance with AC 116 (Employee benefits) with regards to defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (paragraphs 29, 48 - 119 and 120A(c) - (q))

Other defined benefit plan information

Provision for Post Employment Health Care Benefits

The Post Employment Health Care Benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	69	69
Continuation members (e.g. retirees, widows)	28	28
Total	R97	R97

The liability in respect of past service has been estimated to be as follows:

	<u>2008</u>	<u>2007</u>
In-service members	1 825 218	1 748 411
Continuation members	6 918 008	6 626 891
Total	R8 743 226	R8 375 302

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Hosmed
LA Health
Munimed, and
SAMWU Medical Aid

The Future-service Cost for the ensuing year is estimated to be R 173,1096, whereas the Interest- Cost for the next year is estimated to be R 699,458.

Present value of fund obligations	8 743 226	8 375 302
Fair value of plan assets	-	-
	R8 743 226	R8 375 302

Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	8 743 226	8 375 302
Net liability / (asset)	R8 743 226	R8 375 302

Reconciliation of present value of fund obligation:	<u>2008</u>	<u>2007</u>
	R	R
Present value of fund obligation at the beginning of the year	8 375 302	8 019 495
Current service cost	160 286	148 413
Interest Cost	670 024	641 560
Benefits Paid	(462 386)	(434 166)
Total expenses	367 924	355 807
Actuarial (gains) / losses	-	-
Present value of fund obligation at the end of the year	R8 743 226	R8 375 302

5.1 Non-current provision liabilities - Continued

	<u>2008</u>	<u>2007</u>
Reconciliation of fair value of plan assets:	R	R
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	-	-
Contributions : employee -	-	-
Past service costs -	-	-
Actuarial (gains) / losses -	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	R0	R0

Key assumptions used:

Discount rate	8.0%	8.0%
Health Care Cost Inflation Rate	6.0%	6.0%
Net Effective Discount Rate	1.9%	1.9%

Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 303 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 77,941, whereas the Interest- Cost for the next year is estimated to be R 46,972.

Present value of fund obligations	587 152	510 269
Fair value of plan assets -	-	-
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	587 152	510 269
Net liability / (asset)	R587 152	R510 269

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	510 269	470 893
Current service cost	72 168	66 822
Interest Cost	40 821	37 671
Benefits Paid	(36 106)	(65 117)
Total expenses	76 883	39 376
Actuarial (gains) / losses	-	-
Present value of fund obligation at the end of the year	R587 152	R510 269

Reconciliation of fair value of plan assets:	2008	2007
	R	R
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -		
Contributions : employer	36 106	65 117
Contributions : employee	-	-
Past service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	(36 106)	(65 117)
Fair value of plan assets at the end of the year	R0	R0

Key assumptions used:

Discount rate	8.0%	8.0%
General Salary Inflation (long-term)	6.0%	6.0%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.9%	1.9%

Provision for the rehabilitation of landfill-sites

Balance brought forward	4 694 098	4 378 061
Charged / (credited) to the income statement:	350 411	316 038
- Additional provisions	350 411	316 038
- Contribution to provision - Change in Accounting Policy	-	-
Reversal of provision overstated	-	-
Balance 30 June	R5 044 509	R4 694 098

6 CONSUMER DEPOSITS

Electricity and Water	1 875 579	1 713 655
Total Consumer Deposits	R1 875 579	R1 713 655

7 PROVISIONS

Rehabilitation of Landfill-sites	2 187 280	2 187 280
Pension workers	38 549	71 647
Current portion of Medical/ Retirement Fund	492 442	462 386
Current portion of long-service provision (see note 3 above)	53 099	36 106
Total Provisions	R2 771 370	R2 757 419

The movement in current provisions are reconciled as follows: -

	<u>Current portion</u>	<u>Current portion</u>	<u>Current portion</u>
	<u>Medical/ Retirement Fund</u>	<u>Landfill Site</u>	<u>Long-service</u>
30 June 2008			
Balance at beginning of year	462 386	2 187 280	36 106
Transfer from non-current	492 442	2 187 280	53 099
Contributions to provision	-	-	-
Expenditure incurred	(462 386)	(2 187 280)	(36 106)
Balance at end of year	R492 442	R2 187 280	R53 099

	<u>Current portion</u>	<u>Current portion</u>	<u>Current portion</u>
	<u>Medical/ Retirement Fund</u>	<u>Landfill Site</u>	<u>Long-service</u>
30 June 2007			
Balance at beginning of year	355 807	316 037	39 376
Transfer from non-current	106 579	1 871 243	(3 270)
Contributions to provision	-	-	-
Expenditure incurred	-	-	-
Balance at end of year	R462 386	R2 187 280	R36 106

8 CREDITORS

	<u>2008</u>	<u>2007</u>
	R	R
Amounts received in advance	624 567	426 269
Retentions	439 367	576 425
Staff leave	1 193 107	585 004
Sundry Creditors	1 765 369	2 104 582
Sundry Deposits	450 213	374 504
Trade Creditors	2 661 038	1 017 784
Total Creditors	R7 133 661	R5 084 568

Financial Instruments - Fair Value Adjustment

Estimated at 8% over the expected repayment period.

Risk - Accounts are being paid within agreed timeframes.

R7 133 661	R5 084 568
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9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**9.1 Conditional Grants from other spheres of Government**

	5 730 514	5 910 886
CDW's	-	60 387
Dept Minerals and Energy	-	660 677
Dept Water Affairs	12 369	269 310
Drought Relief	2 053 467	2 105 973
Ebenhaeser Fencing	23 403	66 723
Emerging Farmers	148 593	148 593
Finance Management Grant	445 435	388 812
Flood damages	749 126	-
Food Protection	144 650	171 200
Hoodia Project	165 000	-
Housing Awareness	20 000	-
Masibambane Aftercare	71 607	177 097
MIG Contributions	-	118 149
MSIG	538 568	329 183
Project Consolidate	-	398 090
Project Preparation	-	63 000
Provincial Contribution - City	328 802	77 758
Qhayisa Creche	-	49 151
SOF Contribution	15 013	34 575
Sport Doringbaai	315 206	315 206
Transport	291 275	392 000
V/Noord Women Agriculture	-	85 004
West Coast Community Trust	408 000	-
Total Conditional Grants and Receipts	R5 730 514	R5 910 886

RISKS - The unspent grants is cash backed

R5 730 514	R5 910 886
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Refer to Appendix G for Unspent Grants at year-end and movements during the year.

9.2 UNPAID CONDITIONAL GRANTS AND RECEIPTS

	<u>2008</u>	<u>2007</u>
	R	R
MIG Contributions	197 648	-
Namakwa Sands	333 653	-
Unpaid Grants - Lotto	677 046	376 749
Unpaid Grants - National Electrification	1 786 483	-
	R2 994 830	R376 749

10 VAT PAYABLE

VAT payable	R0	R0
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11. PROPERTY, PLANT AND EQUIPMENT

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Community	Heritage	Other	Housing Develop. Fund	Investment Assets	Investment Properties	Total
	R	R	R	R	R	R	R	R	R
Carrying values at 1 July 2007	11 885 898	73 841 920	9 511 815	-	8 934 743	0	0	0	104 174 375
Cost	14 478 535	112 615 758	12 497 272	-	18 220 121	-	-	-	157 811 686
Leased PPE capitalised (Note 31)	-	-	-	-	409 422	-	-	-	409 422
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	(2 592 637)	(38 773 838)	(2 985 457)	-	(9 694 800)	-	-	-	(54 046 732)
- Cost	(2 592 637)	(38 773 838)	(2 985 457)	-	(9 369 825)	-	-	-	(53 721 758)
Leased PPE capitalised (Note 31)	-	-	-	-	(324 975)	-	-	-	(324 975)
Acquisitions	700 098	6 121 026	345 418	-	3 725 634	-	-	-	10 892 175
Acquisitions - Leased Assets	-	-	-	-	-	-	-	-	0
Capital under Construction	125 457	6 166 321	-	-	197 097	-	-	-	6 488 875
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-
Depreciation	(544 916)	(5 634 930)	(451 073)	-	(2 133 849)	-	-	-	(8 764 768)
- based on cost	(544 916)	(5 634 930)	(451 073)	-	(2 092 845)	-	-	-	(8 723 764)
- Leased Assets	-	-	-	-	(41 004)	-	-	-	(41 004)
Carrying value of disposals	(64 097)	-	-	-	-	-	-	-	(64 097)
Cost/revaluation	(71 219)	-	-	-	-	-	-	-	(71 219)
Residual Value	-	-	-	-	-	-	-	-	-
Accumulated depreciation	7 122	-	-	-	-	-	-	-	7 122
Transfers - At Cost	(35 252)	-	(77 776)	-	(303 465)	-	-	-	(416 493)
Transfer of Accumulated Depreciation	(6 617)	-	11 778	-	231 572	-	-	-	236 733
	12 060 571	80 494 337	9 340 162	-	10 651 731	-	-	-	112 546 800
Carrying values at 30 June 2008	12 060 571	80 494 337	9 340 162	-	10 651 731	-	-	-	112 546 800
Cost	15 197 619	124 903 105	12 764 913	-	21 839 386	-	-	-	174 705 024
Leased Assets	-	0	-	-	409 422	-	-	-	409 422
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	(3 137 048)	(44 408 768)	(3 424 752)	-	(11 597 077)	-	-	-	(62 567 645)
- Cost	(3 137 048)	(44 408 768)	(3 424 752)	-	(11 231 099)	-	-	-	(62 201 667)
- Leased Assets	-	-	-	-	(365 979)	-	-	-	(365 979)

11. PROPERTY, PLANT AND EQUIPMENT (continued)
30 June 2007

	<u>Land and Buildings</u>	<u>Infra- structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Housing Develop. Fund</u>	<u>Investment Assets</u>	<u>Investment Properties</u>	<u>Total</u>
	R	R	R	R	R	R	R	R	R
Reconciliation of Carrying Value									
Carrying values at 1 July 2006	11 746 672	64 591 344	9 023 836	-	7 905 826	0	0	0	93 267 678
Cost	13 977 917	98 389 726	11 598 774	-	15 460 114	-	-	-	139 426 531
Leased PPE capitalised (Note 31)	-	-	-	-	409 422	-	-	-	409 422
Correction of error (note 33)	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	(2 231 245)	(33 798 382)	(2 574 938)	-	(7 963 710)	-	-	-	(46 568 275)
- Cost	(2 231 245)	(33 798 382)	(2 574 938)	-	(7 717 859)	-	-	-	(46 322 424)
Leased PPE capitalised (Note 31)	-	-	-	-	(245 851)	-	-	-	(245 851)
Acquisitions	989 017	14 226 032	898 498	-	3 281 601	-	-	-	19 395 148
Acquisitions - Leased Assets	-	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-
Depreciation	(421 381)	(4 975 456)	(410 519)	-	(2 184 500)	-	-	-	(7 991 856)
- based on cost	(421 381)	(4 975 456)	(410 519)	-	(2 105 377)	-	-	-	(7 912 733)
- Leased Assets	-	-	-	-	(79 123)	-	-	-	(79 123)
Carrying value of disposals	(2 307)	-	-	-	(68 184)	-	-	-	(70 491)
Cost/revaluation	(2 307)	-	-	-	(521 595)	-	-	-	(523 901)
Residual Value	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	453 410	-	-	-	453 410
Transfers - At Cost	(486 092)	-	-	-	-	-	-	-	(486 092)
Transfer of Accumulated Depreciation	59 988	-	-	-	-	-	-	-	59 988
	11 885 898	73 841 920	9 511 815		8 934 743				104 174 375
Carrying values at 30 June 2007	11 885 898	73 841 920	9 511 815		8 934 743				104 174 375
Cost	14 478 535	112 615 758	12 497 272	-	18 220 121	-	-	-	157 811 686
Leased Assets	-	-	-	-	409 422	-	-	-	409 422
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	(2 592 637)	(38 773 838)	(2 985 457)	-	(9 694 800)	-	-	-	(54 046 732)
- Cost	(2 592 637)	(38 773 838)	(2 985 457)	-	(9 369 825)	-	-	-	(53 721 758)
- Leased Assets	-	-	-	-	(324 975)	-	-	-	(324 975)

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment):

- Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]
- Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]
- Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]
- Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

11a. NON-CURRENT ASSETS HELD FOR SALE

Assets with a book value of R 68 184 were sold during August 2007 by way of an auction.

<u>2008</u>	<u>2007</u>
<u>R</u>	<u>R</u>
R0	R68 184

12 INTANGIBLE ASSETS

	<u>2008</u>	<u>2007</u>
	R	R
Cost	1 084 039	609 241
Balance 1 July 2007	609 241	-
Aquisitions for the year - At cost	474 798	609 241
Less: Accumulated Amortisation	(216 546)	-
Balance 1 July 2007	-	-
Amortisation for the year	(216 546)	-
Total Intangible Assets	R867 493	R609 241

Intangible assets consists of the General Valuation 2006 effective from 1 July 2007.

13 INVESTMENT PROPERTY

Balance 1 July 2007	14 845 209	-
Transfer from Property Plant and Equipment i.t.o. GRAP Implementation	-	393 276
Less: Accumulated Depreciation	-	(59 988)
	14 845 209	333 288
Disposals	(100 000)	-
Increase due to revaluation	-	14 511 921
Total Investment Properties	R14 745 209	R14 845 209

The Municipality only identified and valued Investment Properties on the reporting date as the previous valuation of municipal properties was performed in 1991. Investment Properties were included under Property, Plant and Equipment in the prior year.

14 LONG-TERM RECEIVABLES

Car loans	48 458	315 172
Housing selling scheme loans	852 459	1 173 334
	900 917	1 488 506
Less : Current portion transferred to current receivables	(54 866)	830 750
Current portion	(54 866)	830 750
Total	R846 051	R657 756

CAR LOANS

Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2009.

No new loans are granted since 1 July 2004.

HOUSING SELLING SCHEME LOANS

Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. These loans attract interest of 7% per annum and are repayable over 10 years. These loans will be repaid by the year 2008.

15 INVENTORY

	<u>2008</u>	<u>2007</u>
	R	R
Consumable stores – at cost	51 024	3 925
Water – at cost	98 845	148 536
Graves – at cost	14 737	42 000
Niss Wall	183 923	-
Refuse Wheelie Bins – at cost	34 800	40 000
Housing inventory held for transfer - At cost (See Note 31)	1 599 694	2 021 929
Land held for resale – at cost	198 263	92 816
Total Inventory	R2 181 286	R2 349 207

Water inventory was not measured at 30 June 2006 and therefor no restatement could be performed.

16 CONSUMER DEBTORS

Service debtors	23 266 670	15 945 460
Housing rentals	2 644 542	2 707 690
Less : Provision for bad debts	(9 523 200)	(7 000 000)
Total	R16 388 012	R11 653 150

Concentrations of credit risk with respect to receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

17 OTHER DEBTORS

Other Debtors	2 426 916	2 470 775
Less: Provision for bad debt	(1 980 802)	(1 980 802)
Total Other Debtors	R446 114	R489 973

18 VAT RECEIVABLE

VAT receivable	R2 211 219	R211 706
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19 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprises the following:

Call Deposits	-	8 037 282
Bank Balances	1 136 750	314 206
Petty Cash on hand	5 550	5 550
	R1 142 300	R8 357 038

The call deposits are ringfenced in order to finance unspent conditional grants, the Capital Replacement Reserve and the cash-portion of the Housing Development Fund.

PRIMARY BANK ACCOUNT INFORMATION

The Municipality has the following bank accounts: -

2008**R****2007****R****Current Account (Primary Bank Account)**

ABSA Bank

Account Number - 4050 575 029

Cash book balance at beginning of year	314 206	1 919 826
Cash book balance at end of year	1 136 750	314 206
Bank statement balance at beginning of year - (overdrawn)	4 063 946	3 123 960
Bank statement balance at end of year - (overdrawn)	R6 026 052	R4 063 946

20 PROPERTY RATES**Actual**

Residential, Commercial, State	16 984 669	11 394 353
Less: Income foregone - Rural Areas	-	885 854
Less: Income foregone	(4 374 107)	-
Total Assessment Rates	R12 610 562	R12 280 207

Valuations

A General valuation for the municipal area was performed with the valuation date being 1 August 2006 and effective from 1 July 2007. For the 2007 Financial Year all the areas in the municipal area had different valuation dates and valuation methods. Rates tariffs were calculated on an average basis during this period.

21 SERVICE CHARGES

Sale of electricity	26 452 642	23 605 444
Sale of water	11 455 782	8 728 805
Sewerage and sanitation charges	8 169 344	6 464 052
Refuse removal	4 464 010	4 780 001
Total Service Charges	R50 541 778	R43 578 302

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice

- Revenue (GAMAP 9) Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SIACA Circular 09/06 and paragraph 12]

22 GOVERNMENT GRANTS AND SUBSIDIES	<u>2008</u> R	<u>2007</u> R
Equitable share	12 687 000	10 280 031
Housing	-	280 483
MIG	3 682 149	5 611 081
Drought Relief	552 506	1 048 079
Ebenhaeser Fencing	43 319	155 790
Project Consolidate	922 705	801 988
Sport Doringbaai	-	169 053
Town Planning	48 956	52 242
Housing	14 860 762	2 455 332
LOTTO	300 297	842 860
Project: Vulnerable Children	-	69 136
Abet	-	14 850
Finance Management Grant	443 377	263 881
Qhayesa Creche	49 151	418 846
Food Security Program	26 550	30 000
Regional Tourism	-	17 418
Flood Damage Assistance	1 120 874	-
Emerging Farmers Establishment	-	35 132
Taxi Terminus	570 472	558 126
Admin	63 000	-
Clinic	-	384 279
V/North Multi Purpose Centre	198 494	-
Roads Subsidy	-	500 000
Namakwa Sands	333 653	-
National Electrification	2 947 160	2 039 323
Sand Filters - V/North	-	642 604
Councilors' Remuneration Contribution	-	551 200
V.Dorp Women Agriculture	-	14 996
Van Rhynsdorp Reservoir	-	946 720
DWAF - Masabane Projects	531 941	125 690
PIMMS - WCDM	-	100 000
Prov via WCDM - CDW Support	204 387	36 713
Soup Kitchens	29 562	-
Library	242 440	-
Total Government Grant and Subsidies	39 858 755	28 445 853

Refer to Appendix F for Unspent Grants at year-end and movements during the current financial year.

23 OTHER INCOME

Advertising Signs	2 352	-
Application Fees - Town Planning	45 349	88 192
Building Plan Fees	158 308	202 521
Cemetery	290 381	240 243
Cemetery - Digging	12 465	33 367
Driveways	4 629	3 045
Electricity Connections	304 307	363 931
Encroachments	24 825	22 992
Housing redeemed	253 270	397 535
Library Fees	217 274	275
Photocopies	19 961	20 728
Refuse Bags	163	152

	<u>2008</u>	<u>2007</u>
	<u>R</u>	<u>R</u>
Roadworthy Certificates	197 304	306 243
Sundry Income - Finance	3 966	465 823
Surplus Cash	4 564	3 862
Traffic Sundries	30	30
Valuation Certificates	52 027	53 849
Water Sundries	-	684
	R1 591 175	R2 203 474

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	33 889 999	29 773 466
Other Allowances	256 213	260 333
Housing Subsidy	233 933	322 737
Bonus	1 862 459	1 613 970
Overtime	1 205 701	1 152 577
Salaries and Wages	21 340 538	18 873 912
Training	-	90 092
Uniform Allowance	176 877	136 316
Leave	863 976	277 049
Social Contributions	6 147 144	5 465 493
Transport Allowance	1 803 158	1 580 987
Less: Employee costs capitalised	(955 541)	(826 923)
Total Employee Related Costs	R32 934 458	R28 946 543

Remuneration of the Municipal Manager

Annual Remuneration - All inclusive package	716 487	660 000
Performance Bonuses	78 540	72 589
Total	R795 027	R732 589

Remuneration of Chief Financial Officer

Annual Remuneration - All inclusive package	511 000	449 503
Performance Bonuses	63 380	59 198
Total	R574 380	R508 701

Remuneration of Individual Executive Directors

<u>30 June 2008</u>	<u>Engineering</u>		<u>Community</u>
	<u>Services</u>	<u>Administration</u>	<u>Services</u>
	<u>R</u>	<u>R</u>	<u>R</u>
Annual Remuneration - All inclusive package	495 432	406 520	450 000
Performance Bonuses	27 932	32 659	53 940
Total	R523 364	R439 179	R503 940

30 June 2007

	<u>Engineering Services</u>	<u>Administration</u>	<u>Safety Services</u>
	R	R	R
Annual Remuneration - All inclusive package	238 258	222 602	399 558
Performance Bonuses	-	55 375	60 440
Total	R238 258	R277 977	R459 998

	<u>2008</u>	<u>2007</u>
	R	R
25 REMUNERATION OF COUNCILLORS		
Executive Mayor	448 126	500 202
Deputy Executive Mayor	367 986	390 753
Speaker	367 986	400 116
Executive Committee Members	203 100	417 403
Councillors	1 578 429	1 481 974
Total Councillors' Remuneration	R2 965 626	R3 190 448

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and one other councillor are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties.

	<u>2008</u>	<u>2007</u>
	R	R
26 INTEREST PAID		
Long-term liabilities	1 957 302	2 030 405
Consumer deposits	-	-
Finance leases	30 726	39 269
Total Interest on External Borrowings	R1 988 028	R2 069 674

27 BULK PURCHASES

Electricity	16 333 432	14 375 341
Water	2 771 255	2 152 518
Total Bulk Purchases	R19 104 687	R16 527 858

28 GRANTS AND SUBSIDIES PAID

Contribution; Soup Kitchen	-	(27 060)
Donations General	148 810	99 606
Poverty Aleviation	3 622	115 809
Free Electricity	314 969	292 413
Free Water	1 500 133	1 500 133

	<u>2008</u>	<u>2007</u>
	R	R
Sewerage	1 936 203	1 689 633
Refuse	1 010 091	877 889
Rates	32 867	277 698
Life Gaurds	92 844	66 750
Contribution: Rittelfees	80 000	40 000
Housing loans written off	1 001 463	4 159 981
Total Grants and Subsidies	R6 121 002	R9 092 853

29 GENERAL EXPENSES

General expenses includes travelling, membership fees, advertising rentals, postage, communication and municipal services.

R8 565 194	R8 314 923
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30 SURPLUS OF ASSOCIATE

Share of retained profit on the equity method

R0	R0
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31 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP

No adjustments were made for the implementation of other GRAP standards approved due to exemptions being granted.

32 CORRECTION OF ERROR - 2008

32.1 Accumulated Surplus/(Deficit)

Grant Reserve	6 435 664	-
included in unbundling from the Government Grant Reserve	5 350 820	-
Total credited to Accumulated Surplus/(Deficit)) (see 32.2 below)	R11 786 485	R0

32.1 Accumulated Surplus/(Deficit)

Grant Reserve	(6 435 664)	-
included in unbundling from the Government Grant Reserve	(5 350 820)	-
Total debited to Government Grant Reserve (see 32.1 above)	(R11 786 485)	R0

33 CORRECTION OF ERROR

Reversal of provision for landfill sites overstated (Note 4)

-	316 037
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Net effect on surplus/(deficit) for the year

R0	R316 037
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	<u>2008</u>	<u>2007</u>
	R	R
34 CASH GENERATED BY OPERATIONS		
Net surplus for the year	5 019 360	1 220 361
Adjustment for:-	-	-
Depreciation	8 981 315	7 991 856
Gain on disposal of property, plant and equipment	(269 705)	(263 074)
Investment income	(2 536 256)	(2 510 355)
Interest paid	1 988 029	2 069 674
Operating surplus before working capital changes:	13 182 743	8 508 462
Decrease in inventories	167 920	2 256 391
Land held for sale transferred to inventories	-	92 816
Housing stock transferred to inventories	-	-
(Increase)/decrease in debtors	(4 734 862)	11 653 150
Decrease in other debtors	43 859	489 973
(Increase)/decrease in unpaid conditional grants	(2 618 082)	376 749
(Decrease) in conditional grants and receipts	(180 371)	(5 910 886)
Increase/(decrease) in creditors	2 049 093	(5 084 568)
Decrease/(increase) in provisions	13 951	(2 757 419)
Decrease/(increase) in non-current provisions	748 169	(10 893 897)
(Increase)/decrease in VAT	(1 999 512)	211 706
Cash generated by/(utilised in) operations	R6 672 908	(R1 057 523)
35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 3)	21 281 488	-
Used to finance property, plant and equipment – at cost	21 281 488	-
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities (see note 18)	R0	R0

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.75 % and 17.50 % and will be repaid by 2021

	<u>2008</u>	<u>2007</u>
	R	R

36 OTHER REPORTING REQUIREMENTS IN TERMS OF THE MFMA.

36.1 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	10 531 748	-
Unauthorised expenditure current year	-	10 531 748
Approved by Council or condoned	-	-
Transfer to receivables for recovery (note 23)	-	-
	R10 531 748	R10 531 748

Incident	Disciplinary steps/criminal proceedings
	<i>Depreciation, housing transfers etc.</i>

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Recovered	-	-
	R0	R0

Incident	Disciplinary steps/criminal proceedings

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	338 943	-
Irregular expenditure current year	572 807	338 943
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
	R911 750	R338 943

Incident	Disciplinary steps/criminal proceedings

36.2 Contributions to organized local government

Opening balance	12 223	-
Council subscriptions	-	92 547
Amount paid - current year	-	(80 324)
Amount paid - previous years	-	-
	R12 223	R12 223

	<u>2008</u>	<u>2007</u>
	R	R
<u>36.3 Audit fees</u>		
Opening balance	-	-
Current year audit fee	782 198	482 192
Amount paid - current year	(782 198)	(482 192)
Adjustments	-	-
Balance unpaid (included in creditors)	R0	R0
<u>36.4 VAT</u>	R0	R0

VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

36.5 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	3 719 118	3 596 254
Amount paid - current year	(3 432 930)	(3 596 254)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	R286 188	R0

The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

36 OTHER REPORTING REQUIREMENTS IN TERMS OF THE MFMA (Continued)

36.6 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	7 313 886	5 901 557
Amount paid - current year	(7 313 886)	(5 901 557)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	R0	R0

The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2007.

36.7 Councillor's arrear consumer accounts

No Councillor accounts were in arrears in the current or the prior financial years.

36.8 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

There were no cases of non-compliance that the municipality is aware of.

37 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for	7 400 000	13 503 055
<i>Infrastructure</i>	7 400 000	2 200 000
<i>Community</i>	-	-
<i>Heritage</i>	-	-
<i>Other</i>	-	-
<i>Housing Development Fund</i>	-	11 303 055
<i>Investment Properties</i>	-	-
- Approved but not yet contracted for	44 571 600	21 614 001
<i>Infrastructure</i>	20 724 123	1 168 946
<i>Community</i>	-	-
<i>Heritage</i>	-	-
<i>Other</i>	13 676 377	20 445 055
<i>Housing Development Fund</i>	5 217 500	-
<i>Investment Properties</i>	4 953 600	-
Total	R44 571 600	R35 117 056

This expenditure will be financed from:

- External Loans	5 600 000	5 003 000
- Capital Replacement Reserve	9 555 600	4 997 000
- Government Grants	29 416 000	25 117 055
- Own resources	-	-
- District Council Grants	-	-
	R44 571 600	R35 117 055

38 CONTINGENT LIABILITY

The Municipality is not aware of any contingent liabilities.

39 CONTINGENT ASSET

The Municipality is not aware of any contingent assets.

40 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations during the financial year.

41 FINANCIAL INSTRUMENTS

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign exchange currency risk

The municipality does not engage in foreign currency transactions.

(b) Interest rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates. This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

42 PRIVATE PUBLIC PARTNERSHIPS

The Municipality is not involved in any Public Private Partnerships.

43 EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after reporting date.

44 RELATED PARTY TRANSACTIONS

Vredendal Meentgrond Boerdery Trust

The Vredendal Meentgrond Boerdery Trust was established to assist small farmers from previously disadvantaged communities. The previous Council of the Matzikama Municipality of which three are still Councillors functions as the trustees of the Trust. The Municipality administered the bank account on behalf of the Trust. The Trust deregistered during the financial year and the assets of the Trust was offset against the loans and outstanding debtors. The land is now leased to the previously disadvantaged farmers.

The transactions for the year with regards to the Trust are summarised as follows:

Balance 1 July 2007:	R
Debtors	-
Bank and cash	-
Loans	-
	<hr/>
	-
Transactions for the year	
Income	-
Expenditure	-
	<hr/>
	-
Capitalised to value of the land.	-
	<hr/>
Balance at 30 June 2008	-
	<hr/>

45 DISCONTINUED OPERATIONS

Health services has been transferred the PAWC during 2005. In the current financial year all expenditure incurred in this vote have been reclaimed from PAWC. Assets to the book value of R 6 590 have been transferred. The balance of the assets were written-off in the current financial year.

46 Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2)b of the notice

- Financial Instruments: Recognition and Measurement (AC133) Initially measuring financial assets and liabilities at fair value. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]
- Financial Instruments: Disclosure (AC144) Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.
- Segment Reporting (AC115) Entire Standard
- Operating Segments (AC146) Entire Standard
- Construction Contracts (AC109) Entire Standard
- Business Combinations (AC140) Entire Standard
- Accounting for Government Grants and Disclosure of Government Assistance (AC134) Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.

Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP).

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of transitional provisions and implement GRAP at an earlier date in order to ensure more reliant financial reporting. The implementation plan for full compliance with the requirements of GRAP is listed in Appendix "G".

**APPENDIX A
MATZIKAMA MUNICIPALITY**

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Rate %	Loan Number	Redeemable	Balance at 2007/06/30	Received during the period	Redeemed written off during the period	Balance at 2008/06/30	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS				R	R	R	R	R	R
Total long-term loans				-	-	-	-	-	-
ANNUITY LOAN									
Development Bank of SA				10 343 631	3 999 010	1 144 652	13 197 989	-	-
- Water	14.00	LE03	2015	1 395 473	(990)	120 485	1 273 998	-	-
- Capital Works 2002	13.00	OB1	2012	1 957 549	-	361 979	1 595 570	-	-
- Capital Works 2003/2004	10.98	OB12	2014	3 746 651	-	380 970	3 365 681	-	-
- Capital Works 2004/2005	9.92		2015	3 243 959	-	281 218	2 962 741	-	-
- Capital Works 2007/2008	14.27		2018	-	4 000 000	-	4 000 000	-	-
INCA				2 788 864	-	240 598	2 548 266	-	-
- Water- and Sewerage Schemes	9.75		2015	2 788 864		240 598	2 548 266	-	-
ABSA				5 970 256	-	482 211	5 488 045	-	-
- Water Scheme	9.77	E48	2015	2 609 588	-	227 120	2 382 468	-	-
- Capital Works 2005/2006	9.15		2016	3 360 668	-	255 091	3 105 577	-	-
Total Annuity Loans				19 102 751	3 999 010	1 867 461	21 234 300	-	-
GOVERNMENT LOANS									
Total Government Loans				-	-	-	-	-	-
Hire Purchases 1-15				108 687	-	71 312	37 375	-	-
Leases				81 334	-	71 522	9 812	-	-
LEASE LIABILITY				108 687	-	142 834	47 187	-	-
TOTAL EXTERNAL LOANS				R19 211 438	R3 999 010	R2 010 294	R21 281 488	R0	R0

APPENDIX B
MATZIKAMA MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions Under Construction	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Land and Buildings												
Land	3 330 245	-	-	(428 457)	-	2 901 788	460	12 825	-	-	13 285	2 888 503
Buildings	11 148 290	125 457	700 098	393 205	(71 219)	12 295 831	2 592 177	532 091	6 617	(7 122)	3 123 763	9 172 068
	14 478 535	125 457	700 098	(35 252)	(71 219)	15 197 619	2 592 637	544 916	6 617	(7 122)	3 137 048	12 060 571
Infrastructure												
Drains	-	1 013 303	-	-	-	1 013 303	-	-	-	-	-	1 013 303
Roads and Streets	26 915 552	602 989	919 730	-	-	28 438 271	10 708 002	1 739 146	-	-	12 447 149	15 991 122
Beach Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	29 364 584	1 128 284	919 987	-	-	31 412 855	7 804 481	1 277 782	-	-	9 082 263	22 330 591
Electricity mains	16 066 490	3 263 411	(4 873 406)	-	-	14 456 495	4 039 654	522 845	-	-	4 562 499	9 893 996
Electricity Peak Load equipment	1 945 260	158 334	770 120	-	-	2 873 714	894 079	156 719	-	-	1 050 798	1 822 916
Water Mains & Purification	1 467 663	-	-	-	-	1 467 663	745 303	83 485	-	-	828 787	638 876
Water Reservoirs	9 810 120	-	-	-	-	9 810 120	1 633 172	486 543	-	-	2 119 714	7 690 406
Water Meters	584 754	-	145 666	-	-	730 420	162 723	29 637	-	-	192 360	538 060
Water Mains	26 403 362	-	8 238 930	-	-	34 642 292	12 758 389	1 336 413	-	-	14 094 802	20 547 490
Landfill Sites	57 973	-	-	-	-	57 973	28 036	2 360	-	-	30 396	27 577
	112 615 758	6 166 321	6 121 026	-	0	124 903 106	38 773 838	5 634 930	-	-	44 408 768	80 494 337
Community Assets												
Parks and Gardens	790 886	-	-	(33 607)	-	757 279	95 046	8 228	-	-	103 274	654 005
Libraries	360 361	-	-	-	-	360 361	104 384	10 812	-	-	115 196	245 166
Recreation Grounds	5 018 068	-	345 418	-	-	5 363 486	1 542 203	222 573	-	-	1 764 776	3 598 709
Civic Buildings	6 327 957	-	-	(44 169)	-	6 283 788	1 243 824	209 460	(11 778)	-	1 441 506	4 842 281
	12 497 272	-	345 418	(77 776)	-	12 764 913	2 985 457	451 073	(11 778)	-	3 424 752	9 340 162
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	R139 591 565	R6 291 778	R7 166 542	(R113 028)	(R71 219)	R152 865 638	R44 351 932	R6 630 919	(R5 161)	(R7 122)	R50 970 568	R101 895 070

* Includes correction of error referred to in Note 32.

	Cost						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions Under Construction	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Total brought forward	139 591 565	6 291 778	7 166 542	(113 028)	(71 219)	152 865 638	44 351 932	6 630 919	(5 161)	(7 122)	50 970 568	101 895 070
Housing Rental Stock												
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Leased Assets (Infrastructure)												
Sewerage Mains & Purify	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
Office Equipment	8 311 385	-	1 344 906	(303 465)	-	9 352 826	3 754 547	1 158 953	(231 572)	-	4 681 928	4 670 898
Furniture and Fittings	123 646	197 097	201 015	-	-	521 758	14 666	44 805	-	-	59 471	462 287
Bins and Containers	26 820	-	-	-	-	26 820	14 994	2 682	-	-	17 676	9 144
Emergency equipment	1 845 645	-	46 407	-	-	1 892 053	878 685	122 522	-	-	1 001 207	890 846
Motor Vehicles	4 555 201	-	946 306	-	-	5 501 507	2 282 392	469 692	-	-	2 752 083	2 749 423
Fire Engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse Tankers	310 363	-	1 016 903	-	-	1 327 266	303 523	36 826	-	-	340 349	986 917
Computer Equipment	3 456 482	-	170 096	-	-	3 626 578	2 445 993	298 370	-	-	2 744 363	882 215
	18 629 543	197 097	3 725 634	(303 465)	-	22 248 808	9 694 800	2 133 849	(231 572)	-	11 597 077	10 651 731
Investment Properties												
Investment Properties	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total	158 221 108	6 488 875	10 892 175	(416 493)	(71 219)	175 114 446	54 046 732	8 764 768	(236 733)	(7 122)	62 567 645	112 546 800

APPENDIX C
MATZIKAMA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 June 2008

	Cost						Accumulated Depreciation					Carrying Value
	Opening Balance	Capital under Construction	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Roads Network	29 284 793	1 013 303	1 818 615	(44 169)	-	32 072 543	11 935 217	2 128 387	(11 778)	-	14 051 826	18 020 716
Water	40 421 440	41 802	1 704 406	-	-	42 167 648	15 630 929	2 035 928	-	-	17 666 857	24 500 792
Electricity	21 154 033	3 263 411	1 441 496	-	-	25 858 941	6 176 058	928 497	-	-	7 104 555	18 754 386
Waste Water Management	29 896 305	1 731 272	2 181 211	-	-	33 808 789	9 285 827	1 431 306	-	-	10 717 133	23 091 656
Finance and Administration	12 281 832	280 752	652 915	(315 342)	-	12 900 157	4 038 298	719 655	(163 147)	-	4 594 806	8 305 351
Community Services	6 556 283	158 334	91 697	-	(71 219)	6 735 095	1 424 524	251 577	-	(7 122)	1 668 980	5 066 116
Waste Management	3 677 073	-	1 697 572	-	-	5 374 646	1 200 032	480 675	-	-	1 680 707	3 693 939
Planning and Development	20 411	-	313	-	-	20 723	925	4 111	-	-	5 036	15 687
Sport and Recreation	10 298 888	-	820 647	(56 982)	-	11 062 553	2 655 519	526 533	(61 808)	-	3 120 244	7 942 309
Health	959 855	-	-	-	-	959 855	246 049	31 995	-	-	278 044	681 810
Public Safety	2 557 551	-	445 150	-	-	3 002 702	1 335 822	143 650	-	-	1 479 472	1 523 229
Housing	862 964	-	-	-	-	862 964	34 493	4 924	-	-	39 416	823 548
Tourism	85 053	-	6 507	-	-	91 560	28 096	12 995	-	-	41 091	50 469
Executive and Council	164 626	-	31 645	-	-	196 271	54 943	23 531	-	-	78 474	117 797
TOTAL	R158 221 108	R6 488 875	R10 892 175	(R416 493)	(R71 219)	R175 114 446	R54 046 732	R8 723 764	(R236 733)	(R7 122)	R62 526 641	R112 587 804

APPENDIX D
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2008

2007	2007	2007		2008	2008	2008
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
1 340 660	8 861 504	(7 520 844)	Executive & Council	1 201 522	1 551 472	(349 950)
27 104 971	21 767 238	5 337 733	Finance & Admin	29 041 581	14 904 525	14 137 055
365 948	969 430	(603 482)	Planning & Development	280 326	2 450 939	(2 170 613)
384 279	384 279	-	Health	-	-	-
698 425	4 069 873	(3 371 448)	Community & Social Services	1 288 993	5 282 222	(3 993 229)
3 120 300	8 625 376	(5 505 076)	Housing	15 283 743	16 777 169	(1 493 426)
1 221 495	2 662 680	(1 441 185)	Public Safety	877 662	3 448 734	(2 571 072)
2 265 766	3 651 758	(1 385 993)	Sport & Recreation	1 678 236	4 875 668	(3 197 432)
-	-	-	Environmental Protection	-	-	-
13 573 717	9 981 779	3 591 938	Waste Management	12 874 309	11 801 660	1 072 649
3 145 584	10 200 812	(7 055 228)	Road Transport	8 137 006	10 718 959	(2 581 953)
11 492 582	8 133 628	3 358 954	Water	14 002 974	11 107 276	2 895 698
29 575 888	21 124 600	8 451 288	Electricity	29 999 717	26 125 425	3 874 292
17 418	541 959	(524 541)	Other	6 981	609 639	(602 659)
94 307 032	100 974 917	(6 667 885)	Sub Total	114 673 050	109 653 690	5 019 360
-	(9 663 031)	9 663 031	Less Inter-Dep Charges	-	-	-
R94 307 032	R91 311 886	R2 995 146	Total	R114 673 050	R109 653 690	R5 019 360
		-	Add: Share of Associate			-
		2 995 146				5 019 360

APPENDIX E(1)
MATZIKAMA MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	12 610 562	13 081 032	(470 470)	-4%	
Property rates - penalties imposed and collection charges	110 923	37 000	73 923	200%	
Service charges	50 541 778	48 546 000	1 995 778	4%	
Rental of facilities and equipment	2 099 923	1 743 800	356 123	20%	
Interest earned - external investments	1 132 251	1 000 000	132 251	13%	
Interest earned - outstanding debtors	1 404 005	1 310 000	94 005	7%	
Fines	778 373	1 358 500	(580 127)	-43%	
Licences and permits	6 967	1 500	5 467	364%	
Income for agency services	4 268 633	1 397 700	2 870 933	205%	
Government grants and subsidies	39 858 755	13 267 758	26 590 997	200%	
Other income	1 591 175	1 846 600	(255 425)	-14%	
Gains on disposal of property, plant and equipment	269 705	1 000 000	(730 295)	-73%	
Total Revenue	114 673 050	84 589 890	30 083 160	36%	
EXPENDITURE					
Executive & Council	1 551 472	973 150	578 322	59%	
Finance & Admin	14 904 525	11 457 086	3 447 439	30%	
Planning & Development	2 450 939	2 644 035	(193 096)	-7%	
Health	0	0	0		
Community & Social Services	5 282 222	5 102 434	179 788	4%	
Housing	16 777 169	460 000	16 317 169	3547%	
Public Safety	3 448 734	3 662 083	(213 349)	-6%	
Sport & Recreation	4 875 668	5 199 862	(324 194)	-6%	
Environmental Protection	0	0	0	0%	
Waste Management	11 801 660	11 664 631	137 029	1%	
Road Transport	10 718 959	10 949 952	(230 993)	-2%	
Water	11 107 276	10 478 144	629 132	6%	
Electricity	26 125 425	25 758 482	366 943	1%	
Other	609 639	450 792	158 847	35%	
Inter-departmental charges	0	0	0		
Total Expenditure	109 653 690	88 800 651	20 853 039	23%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	R5 019 360	(R4 210 761)	R9 230 121		

APPENDIX E(1)
MATZIKAMA MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

REVENUE	2007 Actual (R)	2007 Budget (R)	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	12 280 207	12 203 000	77 207	1%	
Property rates - penalties imposed and collection charges	67 724	45 000	22 724	50%	New Accounting Framework - GRAP
Service charges	43 578 302	42 276 700	1 301 602	3%	
Rental of facilities and equipment	1 938 343	1 956 300	(17 957)	-1%	
Interest earned - external investments	1 464 467	1 500 000	(35 533)	-2%	
Interest earned - outstanding debtors	1 045 887	650 000	395 887	61%	Increase in arrears
Fines	1 236 033	861 000	375 033	44%	Increase in traffic fines
Licences and permits	8 882	43 600	(34 718)	-80%	
Income for agency services	1 774 785	727 700	1 047 085	144%	
Government grants and subsidies	28 445 852	11 462 967	16 982 885	148%	New Accounting Framework - GRAP
Other income	2 203 474	1 779 300	424 174	24%	New Accounting Framework - GRAP
Gains on disposal of property, plant and equipment	263 074	550 000	(286 926)	-52%	New Accounting Framework - GRAP
Total Revenue	94 307 032	74 055 567	20 251 465	27%	
EXPENDITURE					
Executive & Council	8 861 504	6 272 252	2 589 252	41%	
Finance & Admin	21 767 238	20 494 635	1 272 603	6%	
Planning & Development	969 430	962 375	7 055	1%	
Health	384 279	384 723	(444)	0%	
Community & Social Services	4 069 873	3 737 995	331 878	9%	
Housing	8 625 376	273 747	8 351 629	3051%	Top Structures transferred to recipients
Public Safety	2 662 680	2 723 032	(60 352)	-2%	
Sport & Recreation	3 651 758	3 373 335	278 423	8%	
Environmental Protection	0	0	0	0%	
Waste Management	9 981 779	8 219 896	1 761 883	21%	New Accounting Framework - GRAP - Depreciation
Road Transport	10 200 812	8 958 157	1 242 655	14%	New Accounting Framework - GRAP - Depreciation
Water	8 133 628	6 852 849	1 280 779	19%	New Accounting Framework - GRAP - Depreciation
Electricity	21 124 600	20 966 942	157 658	1%	
Other	541 959	524 560	17 399	3%	
Inter-departmental charges	(9 663 031)	(9 687 270)	24 239	0%	
Total Expenditure	91 311 886	74 057 228	17 254 658	23%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	R2 995 146	(R1 661)	R2 996 807		

APPENDIX E(2)
MATZIKAMA MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

	<u>2008</u> <u>Actual</u>	<u>2008</u> <u>Actual</u> <u>Leased Assets</u>	<u>2008</u> <u>Under</u> <u>Construction</u>	<u>2008</u> <u>Total</u> <u>Additions</u>	<u>2008</u> <u>Budget</u>	<u>2008</u> <u>Variance</u>	<u>2008</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	R	%	(Explanations to be recorded)
Roads Network	1 818 615	-	1 013 303	2 831 919	5 261 000	(2 429 081)	-46.17%	Not all projects completed and carried over
Water	1 704 406	-	41 802	1 746 208	2 841 064	(1 094 856)	-38.54%	Not all projects completed and carried over
Electricity	1 441 496	-	3 263 411	4 704 907	3 029 795	1 675 112	55.29%	Housing project grant funding obtained and implemented
Waste Water Management	2 181 211	-	1 731 272	3 912 484	4 190 600	(278 116)	-6.64%	
Finance and Administration	652 915	-	280 752	933 667	1 989 012	(1 055 345)	-53.06%	Not all bugeted items were capitalised
Community Services	91 697	-	158 334	250 031	813 101	(563 070)	-69.25%	Not all bugeted items were capitalised
Waste Management	1 697 572	-	-	1 697 572	2 035 000	(337 428)	-16.58%	Savings
Planning and Development				-	142 000	(142 000)	-100.00%	Projects not started
Sport and Recreation	820 647	-	-	820 647	1 769 913	(949 266)	-53.63%	Balance of Lotto funds not secured
Health	-	-	-	-	-	-	0.00%	
Public Safety	445 150	-	-	445 150	690 000	(244 850)	-35.49%	Savings
Housing	-	-	-	-	16 020 000	(16 020 000)	-100.00%	Top Structures budgeted but accounted for as operating expenditure
Tourism	6 507	-	-	6 507	17 500	(10 993)	-62.82%	Not all bugeted items were capitalised
Executive and Council	31 645	-	-	31 645	1 611 273	(1 579 628)	-98.04%	Not all bugeted items were capitalised
Other	-	-	-	-	-	-	0.00%	
Total	R10 891 863	R0	R6 488 875	R17 380 738	R40 410 258	(R23 029 520)	-56.99%	

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

	DORA ALLOCATIONS	Balance on 30/06/2007	Nas & Prov & Other Received	Other Revenue	Expenditure Conditions met Trf to Revenue	Capital Expenditure Conditions met Trf to Revenue	Balance on 30/06/2008
		R	R	R	R	R	R
Housing	-	-	-	-	-	-	-
MIG	3 564 000	118 149	3 366 352	-	(118 149)	(3 564 000)	(197 648)
Ebenaheaser Sewerage	-	-	-	-	-	-	-
Vanrhynsdorp Sewerage	-	-	1 169 603	-	-	(1 367 251)	(197 648)
Vanrhynsdorp Irrigationline	-	-	174 960	-	-	(174 960)	-
Bulk Electricity	-	-	-	-	-	-	-
Streetlights Klawer	-	-	-	-	-	-	-
Streetlights Vanrhynsdorp	-	-	232 608	-	-	(232 608)	-
Klawer Raw water and rising main	-	-	1 068 557	-	-	(1 068 557)	-
Vanrhynsdorp Stormwater	-	77 535	720 623	-	(77 535)	(720 623)	-
Vanrhynsdorp Busroute	-	40 614	-	-	(40 614)	-	-
	-	-	-	-	-	-	-
Drought Relief	500 000	2 105 973	500 000	-	-	(552 506)	2 053 467
Ebenaheaser Fencing	-	66 723	-	-	(43 319)	-	23 403
MSIG	734 000	727 273	734 000	-	(447 908)	(474 798)	538 568
Sport Doringbaai	-	315 206	-	-	-	-	315 206
Town Planning	300 000	77 758	300 000	-	(48 956)	-	328 802
Housing	-	-	14 860 762	-	(14 860 762)	-	-
Lotto	-	(376 749)	-	-	-	(300 297)	(677 046)
Financial Management Grant	500 000	388 812	500 000	-	(407 000)	(36 377)	445 435
Qhayesa Creche	-	49 151	-	-	(49 151)	-	-
Food Security Program	-	171 200	-	-	(26 550)	-	144 650
Emerging Farmers	-	148 593	-	-	-	-	148 593
Taxi Terminus	400 000	392 000	400 900	68 847.20	-71 271	(499 201)	291 275
Project Preparation	-	63 000	-	-	(63 000)	-	-
National Electrification	500 000	660 677	500 000	-	-	(2 947 160)	(1 786 483)
Equitable Share	12 687 000	-	12 687 000	-	(12 687 000)	-	-
Masabane Centre	-	177 097	-	8 000	(113 490)	-	71 607
V/dorp woman agriculture	-	85 004	-	-	(85 004)	-	-
Namakwa Sands	-	-	-	-	-	(333 653)	(333 653)
Flood Damages	1 870 000	-	1 870 000	-	-	(1 120 874)	749 126
Housing "opvoeding"	-	-	-	20 000	-	-	20 000
Hoodia Project	-	-	-	165 000	-	-	165 000
Library	217 000	-	242 440	-	(242 440)	-	-
Soup Kitchens - SOF	-	34 575	10 000	-	(29 562)	-	15 013
DWAF - Masabane Projects	-	269 310	275 000	-	(531 941)	-	12 369
West Coast Comm. Trust	-	-	408 000	-	-	-	408 000
Prov. Via WDM CDW Support	144 000	60 387	144 000	-	(204 387)	-	-
	R21 416 000	R5 534 137	R36 798 454	R261 847	(R30 029 890)	(R9 828 865)	R2 735 684
						Unspent	5 730 514
						Unpaid	(2 994 830)
							R2 735 684

The municipality complied with all grant conditions and no allocations were withheld.

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IMPLEMENTATION PLAN FOR MEDIUM CAPACITY MUNICIPALITIES – MATZIKAMA MUNICIPALITY

Name of municipality:	Matzikama Municipality	Demarcation Code:	WC 011
Name of preparer:	Mr. K. Bruwer	Date completed:	30 JUNE 2008
Contact Details:		Financial period:	07/08
Capacity category:	Medium Capacity	(delete whichever not applicable)	

Financial reporting standard	Milestones to be achieved to comply with the standard <i>[include the key challenges that have to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[must begin after exemption period and take the transitional provisions of the standards into account]</i>
Presentation of financial statements (GRAP 1)	<ul style="list-style-type: none"> Preparation of GRAP compliant financial statements. Conversion of opening balances 1 July 2005 for comparative purposes Challenges as listed below. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Cash flow statements (GRAP 2)	<ul style="list-style-type: none"> Obtain a thorough understanding of the format of the cash flow statement. No challenges to overcome. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Accounting policies, changes in accounting estimates and errors (GRAP 3)	<ul style="list-style-type: none"> A draft accounting policy was prepared in order to budget for 2008/2009 The municipality will have to 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i> AFS 30 June 2009

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	investigate what the potential impact of Standards approved but not yet effective may be on the annual financial statements.			
The Effects of Changes in Foreign Exchange Rates (GRAP 4)	<ul style="list-style-type: none"> The municipality is not involved in any foreign currency transactions. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Consolidated and Separate Financial Statements (GRAP 6)	<ul style="list-style-type: none"> The municipality has established through a review that it does not have any entities in which it has a controlling interest. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Investments in Associates (GRAP 7)	<ul style="list-style-type: none"> The municipality has established through a review that it does not have any entities over which it has significant influence. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Interests in Joint Ventures (GRAP 8)	<ul style="list-style-type: none"> The municipality has established through a review that it does not have any public private partnerships which may constitute a joint venture. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>

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Revenue from Exchange Transactions (GRAP 9)	<ul style="list-style-type: none"> The municipality will review all revenue sources in order to establish compliance with this Standard. The potential impact of paragraph 12 and SAICA Circular 09/06 will have to be assessed. 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	30 June 2009 (except paragraph 12 of GAMAP 9 and SAICA Circular 09/06.) Rest of the Standard, 1 July 2009.
Construction Contracts (GRAP 11)	<ul style="list-style-type: none"> The municipality will review the Standard in order to understand what constitutes a construction contract as defined by the Standard and how it will affect local government. 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	1 July 2009
Inventories (GRAP 12)	<ul style="list-style-type: none"> No changes required 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Leases (GRAP 13)	<ul style="list-style-type: none"> Identify all leases and account for such. “Smoothing of Operating leases to be investigated 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007 30 June 2009</i>
Events after the Reporting Date	<ul style="list-style-type: none"> The preparers of the financial statements will 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>

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(GRAP 14)	have discussions with senior officials and its lawyers in order to determine if any events after reporting date has occurred.			and continuous
Investment Property (GRAP 16)	<ul style="list-style-type: none"> • All investment property must be transferred from PPE to investment property. • A new accounting policy regarding investment property should be prepared and adopted. • The fixed asset register must be amended in order to process investment property transactions. • The full impact of the change in accounting policy must be disclosed in the financial statements. 	<ul style="list-style-type: none"> • The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Property, Plant and Equipment (GRAP 17)	<ul style="list-style-type: none"> • The municipality has performed a physical verification of its PPE and prepared a fixed asset register. 	<ul style="list-style-type: none"> • The municipality has achieved this milestone 	CFO	<i>Completed</i>

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	<ul style="list-style-type: none"> An accounting policy regarding the PPE should be prepared and approved. The Auditor-General's office will be contacted in order to determine whether an Asset Capitalisation threshold is allowed. Infrastructure assets should be identified and valued by engineers. All land and buildings should be revalued once the new valuation roll is finalized. Review of useful life of item of PPE recognised in the annual financial statements. Review of the depreciation method applied to PPE recognised in the annual financial statements. Impairment of non-cash generating assets. The municipality requires capacity building in order to understand how impairment 	<ul style="list-style-type: none"> The municipality has achieved this milestone The municipality has achieved this milestone The municipality will commence with this process before the current year-end. The depreciation methods will be reviewed before the current year-end. The municipality will commence with a process to identify any assets that may potentially be impaired. The relevant heads of 		<p><i>Completed – AFS 30 June 2007</i></p> <p>30 June 2009</p> <p><i>Completed – AFS 30 June 2007</i></p> <p>30 June 2009</p> <p>30 June 2009</p> <p>30 June 2009</p>

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Financial reporting standard	Milestones to be achieved to comply with the standard <i>[include the key challenges that have to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[must begin after exemption period and take the transitional provisions of the standards into account]</i>
	<p>tests are performed.</p> <ul style="list-style-type: none"> Impairment of cash generating assets. The municipality requires capacity building in order to understand how impairment tests are performed. 	<p>department will be capacitated to be able to identify possible impairments.</p> <ul style="list-style-type: none"> The municipality will commence with a process to identify any assets that may potentially be impaired. The relevant heads of department will be capacitated to be able to identify possible impairments. 		30 June 2009
Provisions, Contingent Liabilities and Contingent Assets (GRAP 19)	<ul style="list-style-type: none"> No problems foreseen. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Non-current Assets held for Sale and Discontinued Operations (GRAP 100)	<ul style="list-style-type: none"> No problems foreseen. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>
Agriculture	<ul style="list-style-type: none"> The municipality has 	<ul style="list-style-type: none"> The municipality has 	CFO	<i>Completed –</i>

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(GRAP 101)	established through a review that it does not have any transactions or activities which can be classified as agriculture.	achieved this milestone		<i>AFS 30 June 2007</i>
Intangible assets (GRAP 102)	<ul style="list-style-type: none"> The municipality will appoint external specialists to assist with the identification of potential intangible assets. The asset register needs to be adjusted in order capture all intangible assets. An accounting policy needs to be drafted for the treatment of intangible assets. 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i> 30 June 2008 for computer software. 30 June 2009 for other assets
Financial Instruments: Disclosures (IFRS 7/AC 144)	<ul style="list-style-type: none"> The municipality needs training and clarification on the impact and requirements of this Standard. 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	30 June 2009
Income Taxes (IAS 12/AC 102)	<ul style="list-style-type: none"> Not applicable to this municipality. 		CFO	
Employee benefits (IAS 19/AC 116)	<ul style="list-style-type: none"> The municipality must request for quotations for the 	<ul style="list-style-type: none"> The municipality has achieved this milestone 	CFO	<i>Completed – AFS 30 June 2007</i>

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	appointment of actuaries to value all employee benefits in order to use as comparatives.			
Accounting for Government Grants and Disclosure of Government Assistance (IAS 20/AC 134)	<ul style="list-style-type: none"> The municipality needs training and clarification on the impact and requirements of this Standard vis a vis GAMAP/GRAP 9. 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	30 June 2009
Financial Instruments: Presentation (IAS 32/AC 125)	<ul style="list-style-type: none"> The municipality needs training and clarification on the impact and requirements of this Standard. 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	30 June 2009
Impairment of Cash-generating Assets (IAS 36/AC 128)	<ul style="list-style-type: none"> The municipality needs training and clarification on the impact and requirements of this Standard. 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	30 June 2009
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	<ul style="list-style-type: none"> The municipality needs training and clarification on the impact and requirements of this Standard. 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	30 June 2009
Impairment of non-cash-generating Assets (IPSAS 21)	<ul style="list-style-type: none"> The municipality needs training and clarification on the impact and requirements 	<ul style="list-style-type: none"> The municipality will achieve this milestone 	CFO	30 June 2009

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	of this Standard.			